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MCNAIR LAW FIRM, P.A.

ATTORNEYS AND COUNSELORS AT LAW

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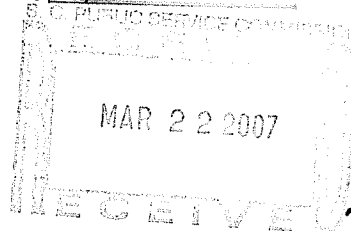
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COLUMBIA, SOUTH CAROLINA 29201

March 22, 2007

Via Hand Delivery

The Honorable Charles L. A. Terreni
Chief Clerk and Administrator
South Carolina Public Service Commission
Post Office Box 11649
Columbia, South Carolina 29211

Posted: tecl
Dept: S.A.
Date: 3/23/07
Time: 11:15
POST OFFICE BOX 11390
COLUMBIA, SOUTH CAROLINA 29211
TELEPHONE (803)799-9800
FACSIMILE (803)376-2219



Re: Application of Chem-Nuclear Systems, LLC (SCPSC Docket No. 2000-366-A)
(Fiscal Year 2006-2007 Proceeding)

Dear Mr. Terreni:

Please find enclosed the original and ten (10) copies of the Settlement Agreement by which the South Carolina Office of Regulatory Staff ("ORS") and Chem-Nuclear Systems, LLC, a Division of Duratek, Inc. ("Chem-Nuclear"), have resolved the principal issues between them with respect to this Docket. You will find as an attachment to the Settlement Agreement, and incorporated therein by reference, the original of the ORS' Examination of the Application of Chem-Nuclear for Adjustment in the Levels of Allowable Costs for Fiscal Year Ended June 30, 2006 and for Identification of Allowable Costs for the Fiscal Year Ending June 30, 2007 ("ORS' Report"). Please file the Settlement Agreement and ORS' Report in accordance with the Commission's rules of practice and procedure.

The parties will summarize the terms of the Settlement Agreement in the testimony during the hearing before the Commission on Wednesday, April 12, 2007.

By copy of this letter, I have provided a copy of the Settlement Agreement to all parties of record. Should you have any questions with respect to this matter, please do not hesitate to contact me.

Very truly yours,

Robert T. Bockman

Robert T. Bockman

Enclosure

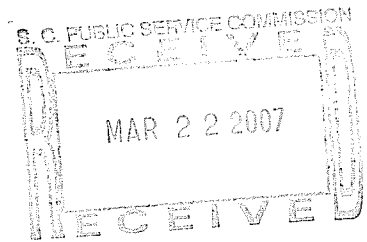
cc: Mr. Dan F. Arnett (w/encl.)
The Honorable Henry White (w/encl.)
The Honorable C. Earl Hunter, (w/encl.)
The Honorable Henry D. McMaster (w/encl.)
Hana Pokorna-Williamson, Esquire (w/encl.)
Frank R. Ellerbe, III, Esquire (w/encl.)
Florence P. Belser, Esquire (w/encl.)

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Original

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
Docket No. 2000-366-A

March 21, 2007



In Re: Application of Chem-Nuclear Systems,)
LLC, a Division of Duratek, Inc., for)
Adjustment in the Levels of Allowable)
Costs and for Identification of Allowable)
Costs.)
_____)

**SETTLEMENT
AGREEMENT**

This Settlement Agreement is made by and between Chem-Nuclear Systems, LLC, a Division of Duratek, Inc. ("Chem-Nuclear" or "Company"), and the South Carolina Office of Regulatory Staff ("ORS") with respect to the Application and Amended Application of Chem-Nuclear Systems, LLC for Fiscal Year 2006-2007 ("Amended Application") pending before the Public Service Commission of South Carolina ("Commission") in Docket No. 2000-366-A.

WHEREAS, the Company filed an Application, dated September 26, 2006, ("Application") in this docket by which Chem-Nuclear requested the Commission to identify certain "allowable costs" for the Company's fiscal years 2005-2006 and 2006-2007, in accordance with the provisions of S.C. Code Ann. § 48-46-10, et seq. (1976), as amended, and with the Commission's rules and regulations; and

WHEREAS, ORS conducted an audit ("Audit") of the allowable costs to be identified and recovered in Chem-Nuclear's Application; and

WHEREAS, Chem-Nuclear filed an Amended Application, dated February 2, 2007, in this docket in accordance with S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2006) and the Commission's rules and regulations; and

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WHEREAS, the Company's Amended Application resolved the concerns of ORS pursuant to its Audit; and

WHEREAS, on February 26, 2007, the Prefiled Direct Testimony of James W. Latham was filed on behalf of Chem-Nuclear reflecting the position of the Company as contained in its Amended Application; and

WHEREAS, the Report of ORS Director of Audit, Jay R. Jashinsky, of the review and examination of Chem-Nuclear's Application and Amended Application, dated March 2, 2007 ("Report"), is attached to this Agreement and incorporated by reference; and

WHEREAS such Report summarizes the Company's Amended Application and concurs with the request of the Company as contained in the Amended Application; and

WHEREAS, Chem-Nuclear and ORS believe that it is in their best interests and those of the State of South Carolina to enter into a Settlement Agreement relating to this matter in order to avoid the additional expense which the litigation of their positions would occasion in this proceeding.

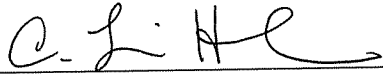
WHEREFORE, ORS and Chem-Nuclear enter into this Agreement on the following terms:

1. The Company and ORS agree to the Actual Costs of Fiscal Year 2005-2006, including fixed costs, irregular costs, variable labor and non-labor costs and vault costs as specified in Chem-Nuclear's Amended Application.
2. Chem-Nuclear and ORS agree on the calculation of projected costs for Fiscal Year 2006-2007 as specified in Chem-Nuclear's Amended Application.
3. ORS and the Company agree that the Prefiled Direct Testimony of James W. Latham accurately reflects the agreed upon positions of the Company and ORS in this matter.

4. ORS and Chem-Nuclear agree that James W. Latham will present testimony at the hearing in this matter consistent with his prefiled direct testimony, the Amended Application and the terms of this Settlement Agreement.
5. Upon execution of this Settlement Agreement, Chem-Nuclear will file an original of this Settlement Agreement with the Commission and serve a copy of it upon all parties of record in SCPSC Docket No. 2000-366-A.
6. The Company and ORS agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then the Company or ORS may withdraw from the Settlement Agreement without penalty.
7. This agreement shall be interpreted according to South Carolina law.
8. Chem-Nuclear and ORS acknowledge consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

A handwritten signature in black ink, appearing to be 'JL' or similar, located in the bottom right corner of the page.

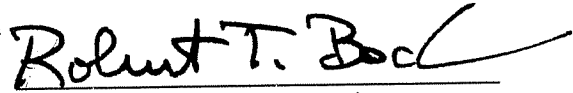
**Representing and binding the
Office of Regulatory Staff:**



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Email: lhammon@regstaff.sc.gov

March 21, 2007

**Representing and binding Chem-Nuclear
Systems, LLC, a Division of Duratek, Inc.:**



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March 21, 2007

C. DUKES SCOTT
EXECUTIVE DIRECTOR

P.O. Box 11263
Columbia, SC 29211



DAN F. ARNETT
CHIEF OF STAFF

Phone: (803) 737-0800
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JAY R. JASHINSKY, CPA
DIRECTOR OF AUDITING

**SOUTH CAROLINA OFFICE OF REGULATORY STAFF
EXAMINATION OF THE APPLICATION OF
CHEM NUCLEAR SYSTEMS, LLC,
FOR ADJUSTMENT IN THE LEVELS OF ALLOWABLE COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
AND FOR IDENTIFICATION OF ALLOWABLE COSTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2007**

On September 26, 2006, Chem Nuclear Systems, LLC filed an application for Adjustment in the Levels of Allowable Costs for the fiscal year ended June 30, 2006 and for Identification of Allowable Costs for fiscal year ending June 30, 2007, pursuant to South Carolina Public Service Commission ("PSC") Order under Docket No. 2000-366-A. The South Carolina Office of Regulatory Staff ("ORS") completed a review and examination of the application and the underlying financial records of Chem Nuclear Systems, LLC.

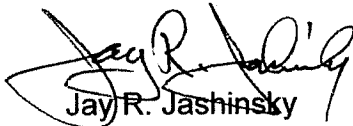
As a result of its review, ORS identified certain adjustments to Chem Nuclear Systems, LLC's application that it considered necessary for this application to conform with South Carolina Public Service Commission Rules and Regulations. These adjustments were discussed with members of Chem Nuclear Systems, LLC's management who agreed with their propriety. On February 2, 2007, Chem Nuclear Systems, LLC filed an amended application which incorporated the aforementioned adjustments.

Based on ORS's procedures, a summary of the amended application and a comparison of the resulting recommended allowable reimbursement to the amounts authorized by the South Carolina PSC in its Order No. 2006-328 dated May 30, 2006 was prepared by ORS Audit Staff. This summary is attached herewith as Exhibit A. As shown in this analysis, ORS recommends that Chem Nuclear Systems, LLC be allowed to retain, as recovery of their expenditures in operating the Barnwell Low Level Radioactive Waste storage facility, \$7,603,972 in Fixed Costs, \$2,263,206 in Variable Costs and \$570,484 in Irregular Costs for the year ended June 30, 2006.

In conjunction with the procedures described in the preceding paragraph, ORS also examined transactions recorded by Chem Nuclear Systems, LLC for the period beginning July 1, 2006 and extending through November 30, 2006. As a result of this examination, ORS prepared a summary of Fixed and Irregular costs during the first five months of Chem Nuclear Systems, LLC's fiscal year ending June 30, 2007. ORS

also calculated recommended Variable cost rates for the fiscal year ending June 30, 2007. The findings from this examination are attached herewith, as Exhibit AA.

Based upon the comparison of Fixed and Irregular costs per the application to those experienced through November 30, 2006, ORS Audit Staff does not object to those amounts requested in the application being identified as allowable costs for the year ending June 30, 2007. Consistent with prior PSC Orders in this docket, the Variable Labor, Non labor and Variable Material Costs (Vault Costs) rate recommendations in Exhibit AA are based upon actual rates experienced by the Company during the fiscal year ended June 30, 2006 with a three and one half percent (3.5%) increment.



Jay R. Jashinsky

March 2, 2007

Chem Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2006

Exhibit A
Page 1 of 3

	Per Revised	ORS's	Adj.	ORS's	Commission's	Actual Costs
	Application	Proposed	#	Proposed	Order	Over (Under)
		Adjustments			(Information	Commission
					Only)	Allowed
<u>Fixed Costs</u>						
Labor & Fringe	\$ 3,066,244			\$ 3,066,244	\$ 3,000,000	\$ 66,244
Non-labor Costs	1,207,525			1,207,525	1,308,109	(100,584)
Machinery & Equipment						
Rent/Lease	386,732			386,732	386,150	582
Depreciation	216,810			216,810	250,000	(33,190)
Other Insurance	760,632			760,632	830,232	(69,600)
Barnwell SG&A Allowable	1,203,161			1,203,161	1,203,257	(96)
Amortization	625,000			625,000	625,000	-
Legal Expenses	33,281			33,281	50,000	(16,719)
Other Labor	104,587			104,587	105,423	(836)
Total Fixed Costs	\$ 7,603,972	\$ -		\$ 7,603,972	\$ 7,758,171	\$ (154,199)
<u>Variable Costs</u>						
Vaults	\$ 1,610,066	\$		\$ 1,610,066	\$ 1,782,638	\$ (172,572)
Labor and Non-Labor Costs	653,140			653,140	746,317	(93,177)
Total Variable Expenses	\$ 2,263,206	\$ -		\$ 2,263,206	\$ 2,528,955	\$ (265,749)

Chem Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2006

Exhibit A
Page 2 of 3

	Per Revised Application	ORS's Proposed Adjustments	Adj. #	ORS's Proposed	Commission's Order (Information Only)	Actual Costs Over (Under) Commission Allowed
<u>Irregular Costs</u>						
Irregular Component Disposal (3 shipments from Norfolk Naval Shipyard):						
Labor	1,025			1,025	291	734
Non-Labor	40,257			40,257		40,257
Total	41,282	-		41,282	291	40,991
Various Trenches (Design, Construct, and Backfill):						
Labor	88,857			88,857	128,771	(39,914)
Non-Labor	137,603			137,603		137,603
Total	226,460	-		226,460	128,771	97,689
Decontamination & Corrective Actions:						
Labor	22,148			22,148	19,277	2,871
Non-Labor	2,593			2,593		2,593
Total	24,741	-		24,741	19,277	5,464
Deep Well and Monitoring Well Abandonment:						
Labor	8,253			8,253	-	8,253
Non-Labor	25,424			25,424		25,424
Total	33,677	-		33,677	-	33,677
Engineering Drawings						
Labor	46,778			46,778	22,808	23,970
Non-Labor	16,650			16,650		16,650
Total	63,428	-		63,428	22,808	40,620
Miscellaneous Irregular Projects (Puncture stand relocation and Clay Cap Evaluation Trench 86):						
Labor	6,727			6,727	28,365	(21,638)
Non-Labor	210			210		210
Total	6,937	-		6,937	28,365	(21,428)

Chem Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2006

Exhibit A
Page 3 of 3

	Per Revised Application	ORS's Proposed Adjustments	Adj. #	ORS's Proposed	Commission's Order (Information Only)	Actual Costs Over (Under) Commission Allowed
<u>Irregular Costs (continued)</u>						
License Renewal and Appeal Costs:						
Labor	64,671			64,671	5,951	58,720
Non-Labor	2,063			2,063		2,063
Total	66,734	-		66,734	5,951	60,783
PSC and Budget & Control Board Support						
Labor	898			898		898
Total	898	-		898	-	898
Severance Pay						
Labor	94,492			94,492		94,492
Total	94,492	-		94,492	-	94,492
Other Irregular Costs (Waste Tracking Special Requests and Site Assessments):						
Labor	4,226			4,226		4,226
Non-Labor	7,609			7,609		7,609
Total	11,835	-		11,835	-	11,835
Total Irregular Costs	570,484	-		570,484	205,463	365,021

Chem Nucear Systems, LLC
Proposed Fixed, Irregular and Variable Costs
For the Fiscal Year Ending June 30, 2007 To Date

Exhibit AA
Page 1 of 2

	Per Revised Application	Actual Through 11/30/2006	Difference
FIXED COSTS			
Fixed Costs to which 29% operating margin is added:			
Labor and Fringe	\$ 3,170,000	\$ 1,431,908	\$ 1,738,092
Non Labor	1,232,000	2,580,329	(1,348,329)
Corporate Allocations (Management Fees/G&A)	1,245,272	929,629	315,643
Depreciation	225,000	95,284	129,716
Insurance	787,254	276,094	511,160
Equipment Leases and Support	400,000	255,591	144,409
Total Margin Costs	<u>7,059,526</u>	<u>5,568,835</u>	<u>1,490,691</u>
Fixed Costs to which 29% operating margin is not added:			
Intangible Asset Amortization	625,000		625,000
Employee Retention Compensation	99,637		99,637
Legal Support (license appeal)	75,000		75,000
Total Non-margin Costs	<u>799,637</u>	<u>-</u>	<u>799,637</u>
Total Fixed Costs	<u>\$ 7,859,163</u>	<u>\$ 5,568,835</u>	<u>\$ 2,290,328</u>

IRREGULAR COSTS

Trench Construction	\$ 60,000	\$	\$ 60,000
License Appeal	20,000		20,000
Corrective Actions	14,766		14,766
Site Engineering Drawings	60,000		60,000
Irregular Components	40,000		40,000
Miscellaneous	15,000		15,000
Total Irregular Costs	<u>\$ 209,766</u>	<u>\$ -</u>	<u>\$ 209,766</u>

Chem Nucear Systems, LLC
Proposed Fixed, Irregular and Variable Costs
For the Fiscal Year Ending June 30, 2007 To Date

Exhibit AA
Page 2 of 2

VARIABLE RATES

	<u>Costs</u>	<u>Variable Factor</u>
Class A Waste	<u>35.00</u>	Per Cubic Foot
Class B Waste	<u>36.72</u>	Per Cubic Foot
Class C Waste	<u>36.15</u>	Per Cubic Foot
Slit Trench Waste	<u>128.07</u>	Per Cubic Foot Per Non Slit Trench
A, B & C Waste	<u>1,009.56</u>	Shipment
Slit Trench Shipment	<u>9,975.32</u>	Per Slit Trench Shipment
Customer Assistance	<u>264.67</u>	Per Shipment
Vault Purchase, Inspection & Placement	<u>71.72</u>	Per Vault
Trench Records	<u>56.43</u>	Per Container